

1 Q. **Reference: Application, clause 12.**

2 It is stated *“There are a number of projects proposed within Hydro’s 2025 Capital Budget*
3 *Application related to assets that serve only one Hydro customer. Hydro’s practice regarding*
4 *assets that serve only one Hydro customer is that the costs of construction and ongoing*
5 *maintenance of those assets are the responsibility of that customer. Those costs are not borne by*
6 *other customers through rates or otherwise.”*

7 a) Who owns the specifically-assigned assets – Hydro or the benefitting customer?

8 b) How are the costs of specifically-assigned assets recovered from the benefitting
9 customer?

10 c) Does Hydro operate and maintain these assets on behalf of the benefitting customer,
11 and if so, how does Hydro determine operating and maintenance costs and recover the
12 costs from the benefitting customer?

13 d) Does Hydro have connection agreements with each of these customers that address
14 cost recovery and the responsibilities of Hydro and the benefitting customer with
15 respect to the specifically-assigned assets?

16 e) How are the costs of specifically-assigned assets treated in the cost of service study?

17 f) Are the costs of these assets included in rate base?

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20 A. a) Newfoundland and Labrador Hydro (“Hydro”) owns and operates the referenced assets.

21 b) Hydro currently requires full contribution for capital works on specifically assigned assets at
22 the time of execution. Currently, Hydro recovers operations and maintenance costs
23 associated with specifically assigned assets from Island Industrial Customers via a monthly
24 specifically assigned asset charge on their monthly power invoice. Hydro applies to the
25 Board of Commissioners of Public Utilities to recover these costs; if approved, these charges
26 become part of Hydro’s Schedule of Rates, Rules and Regulations.

- 1 **c)** Yes, Hydro operates and maintains these assets on behalf of the benefitting customer. The
2 applicable operating costs are allocated between common and specifically assigned based
3 on the value of the transmission plant in service, indexed to current cost using the Handy-
4 Whitman indexes.
- 5 **d)** Generally, clauses regarding the use of specifically assigned equipment and facilities that are
6 owned by Hydro and used to serve the customer specifically are included in the Power
7 Service Agreements between Hydro and the relevant customer. Hydro applies, pursuant to
8 section 41(5) of the *Public Utilities Act*,¹ for approval to request from the customer the
9 capital costs of any improvements or additions to that property.
- 10 **e)** The cost of specifically assigned assets is segregated in the Cost of Service Study and
11 recovered from the specific customer to which the cost relates.
- 12 **f)** Yes, the cost of these assets is included in the rate base. If the cost of the asset has been
13 fully contributed by the customer, the impact on the rate base, as a result of the capital
14 addition, is zero since it has been funded by the customer. In instances where no
15 contribution was received from the customer, the capital carrying costs related to the
16 addition are recovered from the specific customer to which the cost relates.

¹ *Public Utilities Act*, RSNL 1990, c P-47.